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FINAL REPORT
FEASIBILITY OF ESTABLISHING
SMALL BUSINESS DEVELOPMENT CENTRES
IN NEW BRUNSWICK

Job No. 1217

August 25, 1989

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EXECUTIVE SUMMARY

This study was undertaken at the request of the Department of Advanced Education and Training. Its purpose was to determine the feasibility of establishing small business development centres.

Assistance to current and potential small business operators is available in New Brunswick from many agencies, both public and private. The help varies according to agency and can range anywhere from basic business counselling and training to feasibility and marketing studies to provision of facilities and risk capital.

Formal links among the agencies are limited. Informal links do exist but seem to depend, often, on individual initiative. Thus, the degree of awareness of other programs in place varies considerably.

Despite the numerous programs, gaps remain in the type of assistance provided. The main gaps include:

- Seed money to help sustain new businesses over the first few difficult years
- A formalized information network among agencies to improve service to clients and to avoid duplication
- Short duration training in business start-up and business operation.

There are three categories of agency providing some form of business assistance in New Brunswick:

- **Agencies Providing Capital and Counselling.** This category includes the Community Futures Program of Canada Employment and Immigration, N.B. Department of Labour's Program

- **Agencies Providing Counselling and/or Training.** This category includes Federal Business Development Bank, N.B. Department of Advanced Education and Training, Innovation Centre, Regional Development Commissions, MTC/Cadmi Microelectronic Universities, Atlantic Regional Management Training Centre, Atlantic Entrepreneurial Institute, and the Centre for International Marketing at the University of New Brunswick and Université de Moncton. Also included in this group are private firms.

- **Agencies Providing Subsidized Facilities and Counselling.** This category includes The Incubator Complex in Dieppe, UNB's Incutech Complex, and the Enterprise Centre run by the Saint John YM-YWCA.

Despite the fact that the province is well covered in terms of organizations to assist small business, there appears to remain a significant gap in the area of management training. There are programs and courses, but our own enquiries and previous research done in the province tends to reinforce the fact that management training is fragmented and generally not well targeted at areas where need is greatest.

To meet the needs of existing businesses, what is needed most in terms of business development organizations is an agency to focus on training need identification and delivery. Such an agency would provide training that meets businesses' specific needs and provide it in a location with which they are familiar. In some cases, brokering among existing training suppliers may be more appropriate than direct delivery.

The research highlighted the fact that small businesses also need some form of public assistance, but lack the resources and skills necessary to obtain it. The assessment also pointed out that

that businesses at different stages of development have unique needs for counselling, advice and training.

The market lacks a well-organized development and delivery system for the providing of management training in a form that is attractive to small business.

The conclusion from this is the need for a small business facilitator. This facilitator would perform a needs analysis brokering function, taking advantage of services that are presently available and where possible referring clients to existing services. Also, this facilitator should be able to provide services in a flexible manner.

The need is for an organization which can develop programs, customize other agencies' programs, refer where appropriate to present offerings, and provide effective delivery in short durations and on-site.

Quantifying the need for management training is difficult. In order to estimate the demand, a review of several provincial, state and international programs was conducted.

The two U.S. models reviewed indicated that participation increases as the program becomes more familiar and more training is supplied. The director of the Rhode Island program has indicated that before the SBDC's were developed, there was little perceived need on the part of entrepreneurs. However, the fact that the program has continued to expand and add new SBDC's is indicative of how demand is created as the business community becomes aware of the benefits. In other words, until businesses are offered a solution they may not recognize the problem.

The New Brunswick SBDC program could reasonably expect the demand for counselling and training to approach 4,000 people trained per year. Based on these numbers, it is estimated that New Brunswick

could potentially support four or five centres. Because demand during the first few years will be lower, a staged development approach is preferable.

The Response

It is recommended that Advanced Education and Training establish a network of Small Business Development Centres (SBDC's) in association with the community colleges. These centres will provide management training, on-site assistance and mentoring.

The centres are not to duplicate existing services, but rather are to act in a co-ordinating and facilitating capacity.

An SBDC will consist of a Management Training Centre base and a local satellite Business Centre.

Training Centres will utilize existing space available at the community colleges. Total staff complement of six people per centre is anticipated. Total operating costs of \$326,000 per centre are anticipated with an estimated recovery of \$200,000 for a net cost of \$126,000 per annum.

The main functions of the Business Centre will be to perform a training needs analysis, make recommendations about training requirements, arrange for delivery of training for clients and provide business advice. Where possible, recommendations on requirements will include referral to existing programs. A key function of the centres will be marketing the available services. The Business Centres will utilize the staff in the training centres for development and delivery of training.

The project could start as a pilot and be expanded as deemed necessary. Initially, two centres should be established, each with a Management Training component, course development and delivery staff and a Business Centre. Subsequent centres should

only include the Business Centre. The centres are to be highly pro-active, but should also encourage walk-in clientele.

The Business Centre will rent space off site. Total staff complement will be two people per centre with volunteer consultants utilized at a low rate of compensation. Total cost per Business Centre is anticipated to be \$93,900 per annum.

Year one net operating cost are projected to be \$440,000 for two training centres and two Business Centres. By the end of year five, assuming expansion of the project, net operating cost is projected to be \$925,000 for two training centres and six Business Centres.

1. INTRODUCTION

1.1 Background

Management training and assistance to small business represents a dilemma for government when faced with trying to offer help in this area. On the one hand, training is probably the one service which entrepreneurs in all sectors readily acknowledge as badly needed in their businesses. On the other hand, it is extremely difficult to get these same entrepreneurs to take training when it is offered, or even to recognize that training is a means of problem-solving for them.

Various government programs have provided training directly or funded training provided by others. And yet, the consensus seems to be that far more needs to be done.

In looking at ways to address the problem, the Department of Advanced Education and Training has examined approaches used in other jurisdictions, and has concluded that there could be a role for the Community Colleges to play in addressing the need for training to small business through the mechanism of small business development centres. These centres would be based in strategic areas of the province and be designed with the dual role of providing needed training, but also serving as a way to encourage more use of training by the businesses.

Applied Management Consultants was requested by the Department of Advanced Education and Training to prepare a feasibility study of the concept and suggest an implementation plan. This report is the result of our study.

1.2 Objectives

The principal objectives of this study were twofold:

- 1) To determine the appropriate role of small business development centres and their relationship to other resources available in the province.
- 2) To describe the operations of the centre and the activities needed to create, promote and administer them.

1.3 Terms of Reference

The terms of reference, dated October 3, 1988, requested a review of the existing services provided by other organizations, both public and private; a review of similar programs offered in other parts of Canada and the U.S.; selection of an appropriate model and development of a business plan should the concept be considered feasible.

1.4 Methodology

In order to satisfy the terms of reference and the above noted objectives, the methodology included interviews with industrial commissioners, FBDB representatives, training consultants, representatives of the four community colleges with business technology programs, and other public and private sector service providers. Appendix A presents a listing of the people contacted in preparing this study. As well, the study included a review of articles, reports and catalogues pertaining to potential models and telephone

1.4 Cont'd)

follow-up to obtain more information about the promising of these models. Finally, the study team consulted various studies pertaining to small businesses, and Statistics Canada data concerning small business in Canada. Appendix B presents a bibliography of reports, program materials and other sources of information.

1.5 Report Outline

The report that follows will examine the business assistance needs of small businesses in New Brunswick and the extent to which these needs are being met. Management training in New Brunswick will be examined with a view to assessing its present state and the gaps that exist. The SBDC and the role it should play will be discussed and, finally, an action plan outlining the steps to be taken will be presented.

1.6 Glossary of Terms

The following are definitions for terms used in this report.

SBDC - a program for the delivery of management training and education. The SBDC is the responsibility of a "specialty" community college and consists of a management training program and a business centre.

Management Training Program - specific to the "specialty" community college and represents a resource base for management training for the business centre and satellite SBDC. Training is to be developed and customized by this program.



1.6 (Cont'd)

Business Centre - specific to the "specialty" community and represents the marketing and delivery component of the SBDC.

Satellite SBDC - a program for the delivery of management training and education. It is distinct from the SBDC in that it is linked to the non-specialty colleges and draws upon the management training program's resources. It is essentially the business centre at non-specialty colleges.



2. BUSINESS DEVELOPMENT SERVICES IN NEW BRUNSWICK

Assistance to current and potential small business operators is available in New Brunswick from many agencies, both public and private. The help varies according to agency and can range anywhere from basic business counselling and training to feasibility and marketing studies to provision of facilities and risk capital.

In essence, the types of agencies can be divided into three groups: those offering start-up and expansion capital as well as counselling and/or training; those providing counselling and/or training; and, those offering subsidized facilities along with some counselling. Several of the agencies offering subsidized facilities require their tenants to be involved in innovative/high tech areas. One centre is unique in the province in providing an intensive 10-week training program that is a pre-requisite to obtaining low-rent space. Training from other agencies can involve anything from a 15-minute video to a two-year program in entrepreneurship. Almost all the counselling is on a one-to-one basis and provided by staff of the organizations involved.

Most of the agencies used market surveys, reports or analyses of community/regional needs in developing their programs. Nearly all employ some degree of screening in selecting their clients: in some cases, that screening follows an evaluation step in which clients can see what is required of them; in other cases, screening is based on the viability of a proposed business or its level of innovation. Most of the agencies have set up systems to monitor their clients' success/failure rates. However, since many of the programs have only been established in the last two years, these statistics are, as yet, chiefly indicative of levels of activity rather than effectiveness.



2. (Cont'd)

Formal links among the agencies are limited. Informal links do exist but seem to depend, often, on individual initiative. Thus, the degree of awareness of other programs in place varies considerably.

Despite the plethora of programs, interviews with participating agencies indicated gaps in assistance provided. Among the needs mentioned were:

1. Seed money to help sustain new businesses over the first few difficult years
2. A formalized information network among the various agencies to improve service to clients and to avoid duplication
3. Short duration training in business start-up and business operation.

2.1 Agencies Providing Capital and Counselling

Canada Employment and Immigration is the major player among those agencies offering both start-up and expansion capital counselling. The Atlantic Canada Opportunities Agency (ACOA) does not figure in this report since its role involves funding rather than counselling or training; however, ACOA has provided the backing for a consortium of universities to establish a counselling service. This service is explained in more detail below. In addition to federal government involvement, there are also a number of provincial departments offering a range of grants, loans, counselling or training to entrepreneurs.

- 2.1.1 Canada Employment and Immigration is responsible for the Community Futures Program (CFP) and the "free-standing" Business Development Centres (BDC).

There are currently eight designated "communities" under the CFP, as well as others under consideration. Those areas already designated are: Charlotte County, Restigouche County, the Chaleur Region, the Acadian Peninsula, the Miramichi Region, Kent County, Grand Falls, and the Greater Moncton area. The two areas under consideration are: Madawaska County and Queens/Sunbury Counties. Under the CFP, communities have access to some or all of the following programs: the Self-Employment Incentive; a Business Development Centre; the Community Initiative Fund; Direct Purchase of Institutional Training; and Relocation and Exploratory Assistance.

In addition to BDC's established in designated CFP communities, New Brunswick also has two "free-standing" BDC's. These have been converted from former Local Employment Assistance and Development (LEAD) program corporations in areas not selected for general Community Futures activity. Although these two BDC's (in Harvey and Shediac) are not affiliated with a CFP, they still offer all the services of any other BDC. The BDC's are formally organized into the Atlantic Association of Business Development Centres to ease networking and uniformity in the region.

2.1.1 (Cont'd)

In terms of this report, the BDC's, whether part of a CFP community or "free-standing", are the relevant aspect of Canada Employment and Immigration activity. While the services offered by any BDC are the same, the specifics vary according to community needs. For instance, while all sectors are eligible for BDC assistance, the Chaleur Entrepreneurship Centre in Bathurst has found most of its clients are in the tourism or high tech sectors. The centre usually targets its services to operations with one to ten employees. The Southeast LEAD corporation in Shediac prefers clients in the tourism and manufacturing sectors because it sees these as providing more jobs.

BDC's generally share the same organization, usually with three employees: a director, project analyst and secretary/receptionist. The Shediac centre already has its full complement of employees, while that in Bathurst is operating with two but plans for a third. Both these development centres have been operating for almost one-and-a-half years. But, while the Chaleur centre is a highly visible storefront operation, the Southeast LEAD is in the back of the building, a drawback it is trying to overcome with new signage.

The Chaleur centre has been actively looking for business through advertisements; it also receives clients through referrals from other agencies as well as from lawyers and accountants. Southeast LEAD has relied more on word-of-mouth and referrals but it does do some advertising. So far, the



2.1.1 (Cont'd)

Chaleur centre has counselled close to 100 clients, while Southeast LEAD has handled nearly 150. Both centres field far more inquiries than that. Indeed, in December 1988, Southeast LEAD received about 200 inquiries. For the most part, clients are interested in general information about government programs and available funding. Many are interested in developing business plans, often as a necessary step to acquiring funding.

Counselling time with clients ranges from 15 minutes in answering a simple query to three days in developing a business plan. Counselling is done on a one-to-one basis, but both centres do occasionally arrange group seminars. Neither centre charges fees for counselling; screening for loans is based on job creation, viability and innovation. Neither centre has been in operation long enough for any significant assessment of success, but all the enterprises they have assisted financially are still in business. In the case of the Chaleur centre this amounts to 15.

2.1.2 N.B. Department of Commerce and Technology offers assistance through programs in marketing, management, trade and industry. In 1987-88, 320 New Brunswick companies took advantage of the Small Industry Financial Assistance Program. Commerce and Technology programs include an advisory services component but this is secondary to the financial assistance. Employees of the department do advise those interested on where they can go for further counselling or for training. The department also

2.1.2 (Cont'd)

offers management training seminars in different locations around the province. In fiscal 1987-88, the department conducted 15 one or two-day seminars. These were attended by a total of 251 people and covered topics such as business planning and financial forecasting and managing a small manufacturing firm.

2.1.3 N.B. Department of Labour which administers "Partners 2000: New Brunswick Entrepreneur Program", a program of interest-free start-up loans. The program is offered with the cooperation of the Regional Industrial Commissions, the Royal Bank of Canada, the National Bank of Canada, the N.B. Department of Advanced Education and Training, Doane Raymond Chartered Accountants, the Canadian National Institute for the Blind, and the Canadian Paraplegic Association. These organizations provide educational and consultative services. The program gives preference to applicants who are disabled, female or between the ages of 19 and 25. the program has been in existence for under two years during which time 200 loans have been approved. Among the seminars offered under the program are marketing, marketing/advertising, bookkeeping and accounting/financing. In 1987-88, 144 people took part in the seminars.

The department has also submitted a plan, which has not yet been approved, for a number of one-stop operations with computers to provide information on all small business programs and loans.



2.2 Agencies Providing Counselling and/or Training

There are several federal, provincial and private institutions providing counselling and/or training in the province. They include:

2.2.1 Federal Business Development Bank offers financial, counselling, training and information services. The FBDB's CASE (Counselling Assistance to Small Enterprises) program provides individual counselling in all areas of business management. FBDB offers full and half-day business management seminars, 15 to 20-minute self-pacing video clinics on basic areas of business management, and indepth business management courses given through the community colleges. The FBDB also has a Community Business Initiatives (CBI) program which provides help in business development through workshops and practical on-site guidance. CBI's usually include 30 non-competing businesses which participate in training over a 12-month period. The first CBI in New Brunswick was established in Grand Falls in March, 1987.

FBDB has five offices in New Brunswick: Moncton, Bathurst, Saint John, Edmundston and Fredericton. Each of these offices operates its own CASE service. In this program, retired business people are hired to provide individual counselling in such areas as accounting, marketing, production and personnel. The CASE coordinator screens potential clients and matches them with the appropriate counsellor. The Saint John office reports handling between 150 and 200 clients in the course of a

2.2.1 (Cont'd)

year. Fees for the program, which are not available to companies with more than 75 employees, are modest and depend on the service and the time spent. CASE services are well-advertised. In addition, many clients are referred to the program by other agencies. Consulting sometimes includes a recommendation for training and a reference to other FBDB programs.

2.2.2 N.B. Department of Advanced Education and Training offers business technology and management education programs and management workshops and seminars through the community colleges. It has also established a two-year entrepreneurship program under the joint federal/provincial youth employment strategy. This program will be offered at the colleges in Moncton and Saint John starting in March (a similar program, not under YES sponsorship, has been in operation at NBCC-Dieppe since last year). To be eligible for the YES program, prospective students must be under 24 years of age, be unemployed and have Grade 12 or equivalent. In the program, students will spend 40 weeks in class studying business-related subjects. This will be followed by 40 weeks when they will receive counselling while setting up and operating their own businesses.

2.2.3 Innovation Centre, Fredericton, offers evaluation and feasibility services, technical and patenting assistance, marketing and prototype assessment, business organization and business plan development counselling, financing advice, and monitoring. The centre was funded under an Innovation sub-agreement

2.2.3 (Cont'd)

with 70 per cent federal money and 30 per cent provincial. It is operated by the provincial government and its target market is N.B. based technology.

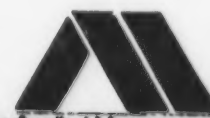
The centre offers its services free of charge. Screening is done following an evaluation session. This session essentially allows clients to screen themselves out if they are not prepared to follow through with the effort required to develop their ideas. During the year the centre has been in operation, it has assisted 156 clients, many of them from the University of New Brunswick. Generally, these clients want evaluation and direction. Of these, three per cent have gone on to run their own operations, (this compares favourably with a rate in other Canadian innovation centres of one to two per cent).

Because part of the centre's mandate is to help create a climate for technological development, it pays particular attention to its educational functions. In addition to its one-to-one counselling, the centre has also conducted nine seminars in the past year to a total of 270 people and produced seven self-help booklets out of a planned series of 11. The centre has become more pro-active and is targetting young graduate engineers in the hope of raising applicant quality.



2.2.4 Regional Development Commissions provide varying degrees of individual counselling, assistance in capital access, and information on current small business programs. There are 12 commissions in the province, some of them almost 20 years old. The commissions are administered by the three levels of government: ACOA at the federal level, the N.B. Department of Commerce and Technology at the provincial level, the representatives from the various municipalities covered by each region. The commissions (some of which call themselves industrial development commissions, others economic development commissions, and still others, simply, development commissions) have between three to five staff members. The commissions' role is chiefly advisory, in connecting clients with the appropriate assistance. However, depending on the expertise of the staff and the requirements of the client, they will provide some degree of counselling. Some of the commissions have also produced booklets outlining business start-up, etc. The commissions' efforts tend to focus on the manufacturing and processing sectors though they are not restricted to these.

2.2.5 MTC/CadmiMicroelectronics is a network of 10 technology centres located around the province which provide feasibility, design, prototype, costing and other advice to entrepreneurs with innovative ideas. Its services concentrate on technical rather than business aspects. However, the network does help clients investigate grants and other potential financial assistance.



2.2.6 Universities

Provide varied business and management programs, courses and workshops. However, these are generally degree-oriented and do not answer the needs of those who want intensive short-term training in business start-up and operation.

The Saint John campus of the University of New Brunswick has established a Management Development and Information Centre which offers two and three day non-degree-related workshops on a variety of business topics (for example, creative problem-solving and negotiation). Though not specifically geared to small business, they do attract some small business people.

- 2.2.7 Atlantic Regional Management Training Centre is affiliated with the Technical University of Nova Scotia and offers many courses and programs to business people from throughout the Atlantic region. These include half-day workshops, weekend seminars, two-to-three week residential programs, and many other formats. (In New Brunswick, the Training Centre rents facilities from the Memramcook Institute periodically to offer some of its programs. However, the Institute itself, other than providing the facilities, has no involvement in this training. The Memramcook Institute did for a short while deliver FBDB programs. It no longer has management or entrepreneurial-related programs. Its current offerings are insurance training, computer courses, French immersion and life skills).

2.2.8 Hamilton-Carter Ltd. is a Fredericton-based firm which puts on programs all over the province. The firm offers a full range of short courses on supervisory and communications skills. It has also operated several programs under the Canadian Jobs Strategy including one aimed at developing self-employment skills in young people, and two directed at developing entrepreneurial skills in women planning to re-enter the labour force.

2.2.9 Atlantic Entrepreneurial Institute is a newly-formed consortium of four Atlantic universities (Memorial University, Université de Moncton, University of Prince Edward Island and Acadia University) which has been provided \$5.8 million in funding from ACOA. The grant was provided under the Business Support element of the Atlantic Action Program and will be used to establish the institute and cover its operating expenses over the five-year life of the project. The institute is establishing five centres, one in each of the universities plus one at the Saint John campus of the University of New Brunswick, to provide counselling services, a casebook illustrating Atlantic circumstances, and a database of relevant information for the Atlantic small business community.

2.2.10 Centre for International Marketing and Entrepreneurship, University of New Brunswick has just been established through the university's Faculty of Administration under a director seconded from the N.B. Department of Commerce and Technology. The centre will provide consultative services, seminars and workshops to businesses in manufacturing, processing, service and tourism industries interested in developing international markets.



2.3 Agencies Providing Subsidized Facilities and Counselling

Among the centres offering subsidized facilities along with some counselling are:

- 2.3.1 Incubator Complex, Dieppe, which opened in 1984 and provides office, manufacturing and warehouse space at very low rents to manufacturing operations. It is run by a manager with the assistance of a secretary. The complex has an advisory board made up of the mayor, councillors, business people and a lawyer. It was set up under a federal grant but now carries itself.

The complex has a highly visible Main Street location. Among its current tenants are one firm doing assembly work for Northern Telecom, one producing cultured marble and another manufacturing lumber wraps. Space in the complex costs \$4.50/sq. ft. with add-ons for the costs of fax, electricity, paper, telephone, etc.

Most companies use the complex as a starting-off point and stay about one-and-a-half years. The director gives advice and also helps clients find the specific counselling they may need. He reports that since the complex was started in 1984, only one business out of 20 has failed.

- 2.3.2 Incutech, University of New Brunswick, provides low-cost facilities, management and support services to new enterprises fulfilling its criteria. Businesses must be high tech and innovative. Incutech has been in operation less than a year but



2.3.2 (Cont'd)

has been successful in attracting several highly innovative enterprises. Its tenants include consulting businesses in electro-magnetic technologies and industrial applications of microwave power, a company producing software for the forest industry, another manufacturing an electronic scaler for cut wood, and a fifth firm producing customized equipment for microchip manufacturers. Incutech's focus is on providing facilities; while it does provide management services, these do not extend to counselling or training. Incutech's present facilities are in Fredericton, but it is responsible for the whole province. New enterprises outside Fredericton can request Incutech to provide low-cost facilities and other support in their areas.

One centre in the province is unique in offering both facilities and intensive training to young entrepreneurs.

- 2.3.3 The Enterprise Centre, operated by the Saint John YM-YWCA under a federal/provincial Innovation sub-agreement, offers a ten-week course (day or evening) for young adults aged 16-30. The course covers all aspects of starting up and running a small business. Following the training period, the Centre helps its clients set up their businesses, monitoring and helping them over a twelve month period. It also provides support services and subsidized rental space if it is wanted, for a period of one year. This centre is one of nine operating across the country (the others are in St. John's, Glace Bay, Montréal, Toronto, Orillia,

2.3.3 (Cont'd)

Winnipeg, Edmonton and Vancouver). All are based on a model developed by the national office of the YM-YWCA.

The centre is well-placed in downtown Saint John at the old YMCA building on Wellington Row. The clients chiefly come from the area between Sussex and St. Stephen but some have come from the north of the province. Although there has been no particular emphasis on recruiting them, about 50 per cent of the trainees have been women. The centre usually has about 25 to 30 people in each class in five concurrent sessions. The course is given three times a year. Since the centre has only been in operation since 1987, it is too early to assess its success. So far the failure rate for established businesses has been a low 10 per cent. Those failures were not due to money difficulties, but because the founders got tired and quit. To date, the centre has been responsible for the establishment of 61 new businesses in the Saint John area, creating 78 new jobs. The businesses include interior design, desk-top publishing, small craft and other manufacturers, and retail outlets.

The centre charges no tuition fees. Screening is done through an application form, an information night and a forty-five minute personal interview.

2.3.3 (Cont'd)

In absolute numbers, New Brunswick appears to have a good range of services for small businesses. However, several of the agency representatives interviewed commented on gaps in the system. Outside the training area, the needs primarily seen were for seed money to help sustain new businesses over the first few difficult years, and a formalized information network among the various agencies to improve service to clients and to avoid duplication.

The province clearly has a full range of individual counselling services available, regardless of the region of the province or the age of the client. However, there is not the same range nor accessibility in training services. People interested in training in specific business areas have access to a variety of courses, workshops and seminars.

The big gap in the system seems to be in training in general business start-up and operation. The two-year intensive program offered through the community colleges required clients to be both young and unemployed. It is unlikely that a program of such length would be appealing to older clients, whether employed or unemployed, who are anxious to develop their business ideas with the benefit of sound training in business start-up and operation. There is little provision for prospective or current business people, apart from those who fill the youth criterion of The Enterprise Centre, who want intensive, flexible, short-term training. Even for young prospective entrepreneurs there is a regional disparity, with youths from the north having to travel to and stay in Saint John to take advantage of the short-term program.



3. TRAINING NEEDS OF SMALL BUSINESS

Despite the fact that the province is well covered in terms of organizations to assist small business, there appears to remain a significant gap in the area of management training. There are programs and courses, but our own enquiries and previous research done in the province tends to reinforce the fact that management training is fragmented and generally not well targeted at areas where need is greatest. In this section, we will look at different segments of the business community and attempt to better identify the training needs. Needs are difficult to define in any absolute sense, as they are a function of many unquantifiable elements, such as:

- previous exposure to training
- the current supply of training by universities, colleges, private firms, FBDB, etc.
- the ability of the entrepreneur to recognize the role of training as an element of problem-solving.

All of these elements are obviously very closely related - if the available supply of training is low, not many entrepreneurs will have availed themselves of the service and will, therefore, be less likely to understand the benefits and the role that training can play in his or her organization. On the other hand, in areas where there have been enough training resources and a vehicle for marketing and promoting them, it is not a difficult task to get course offerings filled and develop committed "customers" for other training programs.



3.1 The Market for Training Assistance

To analyze the needs for training assistance, it is helpful to classify businesses by size. The following classifications describe the general characteristics of small, medium and large businesses including their need for training assistance.

Large: - Greater than \$20 million revenue
- Represents 0.5% of all businesses in Canada
- Long established
- Resources available internally or from private sector firms by hire.

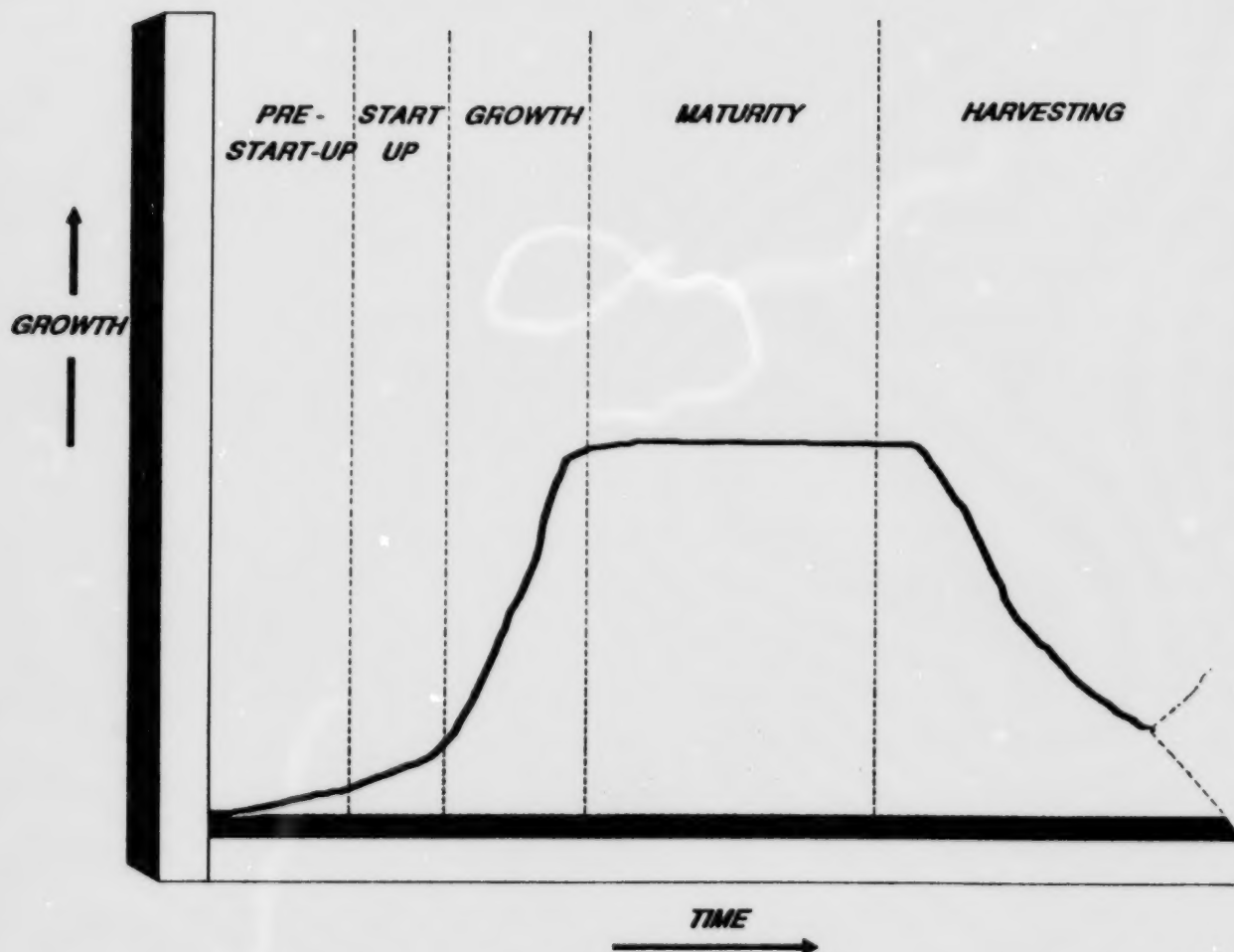
Medium:- Revenue between \$2 and \$20 million
- Represents 3.6% of all businesses in Canada
- Long established
- Resources mostly available internally or from private sector firms.

Small: - Revenue less than \$2 million
- Represents 96% of all businesses in Canada
- Newer, younger companies, recent start-ups, as well as older companies with narrow markets
- Limited internal resources, lack of financial resources to obtain private sector assistance.

This simplified sketch points to the small business as the segment having the greatest need for public sector assistance.

According to Statistics Canada there were 17,525 small businesses in New Brunswick in 1984. It is conceivable that given the growth in the economy experienced since 1984 the number of small businesses has grown to 20,000.

DIAGRAM 1
COMPANY LIFE CYCLES - STAGES



3.1 (Cont'd)

There is a commonality of needs across sectors and industries. The need depends on the stage of development in a company's life cycle. Discussions with training consultants, industrial commissioners, FBDB representatives and a private sector representative reaffirm this point. Companies at different stages of the company life cycle exhibit different needs.

Diagram 1 presents a conceptual description of the company life cycle, which consists of five distinct stages: pre-start-up; start-up; growth; maturation; and harvesting. Following is a description of each of these stages.

3.1.1 Pre-start-up. This stage represents companies at their earliest formative stage. Based on our discussions with industrial commissioners and FBDB, it is estimated that there are possibly as many as 30,000 embryonic businesses and individuals with business ideas in the province.

Many of the "businesses" in this pre-start-up stage are dreams, and many should stay as dreams. Another group of "businesses" require little or no assistance to implement. There exists a sub-group of this segment which would benefit from more

Many of the "businesses" in the pre-start-up stage are dreams, and many should stay as dreams. Another group of "businesses" require little or no assistance to implement. There exists a sub-group of this segment which would benefit from more



3.1.1 (Cont'd)

extensive quality assistance - those individuals with sound ideas, lacking the fundamental skills necessary to put their ideas into action. This sub-group appears to be the one for whom additional attention would yield most promising results.

This sub-group, however, appears to be one that is reasonably well serviced in terms of information and advice by the existing services such as FBDB, Industrial Commissions, Community Futures and other programs. Their training requirements appear to be less well serviced with only a few programs available.

3.1.2 Start-up. This next stage of development represents the point at which the "ideas" become a business.

Based on the number of incorporations and registrations of partnerships and proprietorships it is estimated that 3,500 businesses start up each year in New Brunswick.

A recent study⁽¹⁾ on 277 small businesses in N.B. noted that most entrepreneurs admitted to a lack of experience in one or more of the critical areas prior to starting the business:

- Finance/budgeting
- Accounting
- Marketing/sales
- Management

(1) The DPA Group Inc. "Small Business and Entrepreneurship in New Brunswick", February 1988.



3.1.2 (Cont'd)

Many entrepreneurs at this stage of development are so busy fighting fires that they do not have the time to upgrade themselves. The needs of this group relate to a lack of prior planning and a lack of internal resources. These firms need the skills but cannot afford to hire the "right" person and feel they are too busy to obtain training.

This group of businesses needs to be provided training in a variety of skill areas. Flexibility in delivery is key to this group.

3.1.3 Growth. This stage represents a crucial stage in the development of every business. If not managed properly it can mean a premature death and the end of what might otherwise have been a promising business enterprise.

Discussions with the various public organizations suggest that the needs of these businesses tend to be more specific in nature. The most frequently cited needs relate to personnel skills (i.e. recruiting and maintaining the growing workforce requirements). The balance of their needs relate to specific aspects of the various business skill areas, such as marketing, finance, production, etc.

While some consultative assistance services are available they do not address the primary needs of this group or their underlying problem - a lack of knowledge and training in how to manage growth and deal with important management needs at this stage. This group requires training that is flexible in content for the most part, however, the need is



3.1.3 (Cont'd)

for the most part not perceived by the entrepreneurs as a problem that can be addressed by training. According to several studies on this group, the tendency for entrepreneurs is to consult with their accountant or lawyer but rarely do they go further and try to get training or other assistance. Individuals with whom the business person makes contact can be a good reference point for reaching those with needs.

3.1.4 Maturity. This next stage of development represents established firms whose growth has more or less leveled off for one reason or another. This stage is believed to represent the largest segment of the existing businesses.

This group has needs which tend to focus on improvement of their businesses; they are striving for improved margins, profitability and productivity. We are told that many of these businesses feel they need to come in contact with and be exposed to new ideas that will enable them to make the necessary enhancements.

These needs bear considerable resemblance to those of businesses in the final stage.

3.1.5 Harvesting. This stage represents the final development stage of a small business enterprise. Very little input is required for the business to be able to generate a comfortable income. However, this income is declining over time. Some businesses will be revitalized and commence another growth cycle while others will continue the harvest stage until operations cease.



3.1.5 (Cont'd)

The needs at this stage, as with the maturity stage, are for enhancements and improvements. Needs also exist to provide many of these businesses with the tools or ideas to make more major enhancements to spur their businesses into a new growth stage. These needs tend to be specific in nature.

The DPA study found that of existing businesses, all the management functions were in roughly equal need of training. This study found that this need was either occasional or frequent in 58-63% of those surveyed.

All these findings suggest that to meet the needs of existing businesses, what is needed most in terms of business development organizations is an agency to focus on training needs identification and delivery. Such an agency would not duplicate the counselling or advisory services available. It would, however, provide training that meets businesses' specific needs and provide it in a location with which they are familiar. Some of these products may be presently available, in which case a brokering function will be appropriate.

This needs assessment has highlighted the fact that small businesses are the ones which are in need of the greatest public assistance. They lack the resources and skills necessary to obtain the assistance they need. The assessment has also pointed out that businesses at the different stages have unique needs for counselling, advice and training. This all implies that flexibility and custom tailoring will be necessary to meet the needs of these companies.



3.1.5 (Cont'd)

This needs assessment also suggests that a facilitator is needed. This facilitator would perform a needs analysis brokering function, taking advantage of services that are presently available and where possible referring clients to these. Also, this facilitator should be able to provide services in a flexible manner. The market lacks a well-organized development and delivery system for the providing of management training in a form that is attractive to small business.

The need is for an organization which can develop programs, customize other agencies' programs, refer where appropriate to present offerings, and provide effective delivery in short durations and on-site.

3.2 Estimated Demand for Small Business Management Training

As an approach to quantify training needs, and examine alternative approaches to management training and delivery, several provincial, state and international programs were reviewed. Appendix C presents a description of some of the more relevant programs.

It was previously mentioned that it is difficult to quantify the need for management training. Examining the results of other jurisdictions gives some indication of the potential demand when it is effectively organized and provided. These examples demonstrate that when training is well structured and marketed the results are that many businesses take advantage of it and many benefit.



3.2 (Cont'd)

Earlier it was noted that businesses have varying needs at the different stages of their development and that they desire customized services. The examples which are described below have all developed on the principle of providing a complete service, including a "user friendly" intake system, needs analysis based on the specific business, counselling and delivery of customized training and access to standard programs.

3.2.1 Oregon Small Business Development Centres

In Oregon, 19 Small Business Development Centres have been established. These centres offer counselling and training, both with an educational emphasis. Geographically Oregon is very similar to New Brunswick having a dispersed population. Economically, the two have resource based economies.

The results in Oregon have demonstrated how strong demand can be when the services are organized. Six thousand business people are counselled and 16,000 trained annually. In relation to Oregon's population of 2.7 million this equates to eight people for every 1,000. The number of people counselled and trained has been sufficient to not only keep the centres at capacity but has warranted the addition of several centres.

3.2.2 Rhode Island Small Business Development Centres

In Rhode Island a network of six SBDC's exists to serve the state. Geographically Rhode Island is very small. Although it has a population of 980,000

3.2.2 (Cont'd)

people, the six centres in 1986 counselled 800 people and trained 1,896. In addition, training for 2,500 people was provided by the centre for Management Development which is affiliated with Bryant College. We are told the results in Rhode Island have shown increases since 1986, however, no precise figures were provided. The number of people counselled is restricted by budgetary constraints.

Both U.S. models indicate that participation increases as the program becomes more familiar and more training is supplied. The director of the Rhode Island program has indicated that before the SBDC's were developed, there was little perceived need on the part of entrepreneurs. However, the fact that the program has continued to expand and add new SBDC's is indicative of how demand is created as the business community becomes aware of the benefits. In other words, until businesses are offered a solution they may not recognize the problem.

3.2.3 British Columbia Enterprise Development Centres

Although the British Columbia approach is somewhat different in that it does not provide customized training it gives an indication of the potential demand for business assistance services in Canada.

Throughout British Columbia are 16 Enterprise Development Centres. These centres primarily provide counselling and coaching as well as seminars, small business management training, staff training and financial match making. The centres

3.2.3 (Cont'd)

have experienced so much demand that fees were instituted to reduce usage. Although there has been some overlap with other agencies providing some of these services, the province has been able to support a network of 16 centres with a population base of 2.9 million people or 180,000 people per centre.

3.2.4 Bathurst Community College

Although limited, the previous experience with a coordinated approach in New Brunswick has also been very favorable. Until 1985, the Bathurst Community College operated a business development centre, funded under the Northeast Subsidiary Agreement. The centre provided management training to clients relating to marketing, accounting, computers and technical areas. This training was tailored to the client group, provided in short duration and delivered locally. Local sites were selected and the programs were delivered, primarily from a set of standard course offerings. The turnout was generally favourable and the director of the centre felt the effort was a success since demand was consistently strong. The centre discontinued operations when the Sub-Agreement terminated.

This Centre provided training to 525 people. The population of the region served was approximately 60,000 people.

3.2.4 (Cont'd)

Because the centre operated for a short period of time, this level of demand is lower than could be experienced over a longer time period. The director also stated that this demand relates primarily to the computer training efforts as it was the most strongly emphasized.

Based on these examples, we can make some general conclusions about the demand for management training in New Brunswick. The Oregon and Rhode Island models indicate that annual demand for counselling and advisory services could be as high as 1,500 sessions per year for a mature program, plus demand for formal training of 4,000 people per year. This demand would be for the whole province. Based on these numbers, it is estimated that New Brunswick could support four or five centres. The number of centres could in fact be higher depending on the demand required to keep a centre at capacity.

The Bathurst example suggests that the province could expect annual demand of 2,500 training sessions. This is considered to be a low estimate due to the limited operation in Bathurst. On the other hand, the two American examples represent a high estimate of the market since they have been active for some time. The New Brunswick SBDC program would, therefore, reasonably expect the annual demand for counselling and training to be somewhere between the U.S. and Bathurst experience, with the long term potential tending towards 4,000 people trained per year. Because demand during the first few years will be lower, a staged development approach is preferable.

3.2 (Cont'd)

The experiences of these other approaches suggest that there exists a need in New Brunswick for more management education and better coordination. Experience elsewhere also indicates that, for the most part, this demand, or need, is latent and not readily thought of by business people as a training need. Only when the benefits of training are understood and marketed is training sought out by entrepreneurs as a way to solve problems.

4. THE RESPONSE - SMALL BUSINESS DEVELOPMENT CENTRES PROGRAM

4.1 Mission and Objectives

4.1.1 The Concept

The basic concept is to establish a network of Small Business Development Centres in different regions of the province under the auspices of community colleges.

The SBDC's will provide assistance to new and established small business. The assistance will primarily involve management training, with this being broadly interpreted to mean formal training, on-site assistance with problem solving and advice in the form of mentoring.

SBDC's role specifically excludes duplicating any of the existing public or private initiatives aimed at small business development. SBDC's will play a coordinating and facilitation role, optimizing the use of outside resources as much as possible.

It is envisaged that the SBDC's will start as a pilot project and expand to other centres of the province depending on the interest, need and operational success of the pilot venture.

Two SBDC's will be established (one English and one French) at colleges with business specialties. These SBDC's will include training facilities, staff to develop and present courses and a business office



4.1.1 (Cont'd)

to serve as the "front line" by which businesses will access the centre. The business office will also develop close working relationships with consultants, accountants, lawyers, etc., who would provide services to clients at relatively low rates for very short duration assignments.

The business centres will operate on a "walk-in" basis, and will also be highly pro-active, designed to seek out clients, promote the services, and make regular visits to all areas of the region.

In other areas of the province, it is envisaged that satellite SBDC's will be developed, providing the business office function but accessing training services from one of the two specialty colleges.

4.1.2 Mission

The mission of the Small Business Development Centre (SBDC) Program is to enhance the economic well-being of small business. More specifically, its mission is to improve the management skills of entrepreneurs to allow them to better utilize the resources available to them in order to grow and become more fiscally sound.

This mission will better enable community colleges to fulfill their mandate of providing necessary community education services.

4.1.3 Objectives

- To improve the skill level of New Brunswick entrepreneurs.
- To improve the relationship between community colleges, the business community and the business professionals.
- To improve the quality and availability of management education and training in New Brunswick.
- To improve the financial strength of New Brunswick small businesses.
- To improve the competitiveness of New Brunswick small businesses.

4.2 Organizational Plan

4.2.1 Operations

The SBDC is designed to provide small businesses with a complete training needs analysis and training delivery service. Business training assistance is to be provided in the various management functions and is to be available to business owners, managers and staff. Assistance is to be provided through standard course offerings in a formal classroom setting and through custom-tailored programs designed to meet business' needs. The SBDC will be able to recommend, provide (in some cases) or arrange for delivery of standard or customized



4.2.1 (Cont'd)

training programs. As well, SBDC's will maintain rosters of consultants and other professionals to provide assistance where the need requires a more individualized approach. All of these services are to maintain a strong education/ training focus.

4.2.2 Organizational Structure

The organizational structure is presented in Exhibit 1.

The structure is to have two colleges (one English and one French) designated as "specialty" management training and education colleges. These colleges will develop a management training program and a business development centre along with their regular educational offerings. Other colleges may operate a satellite SBDC, depending on regional demand.

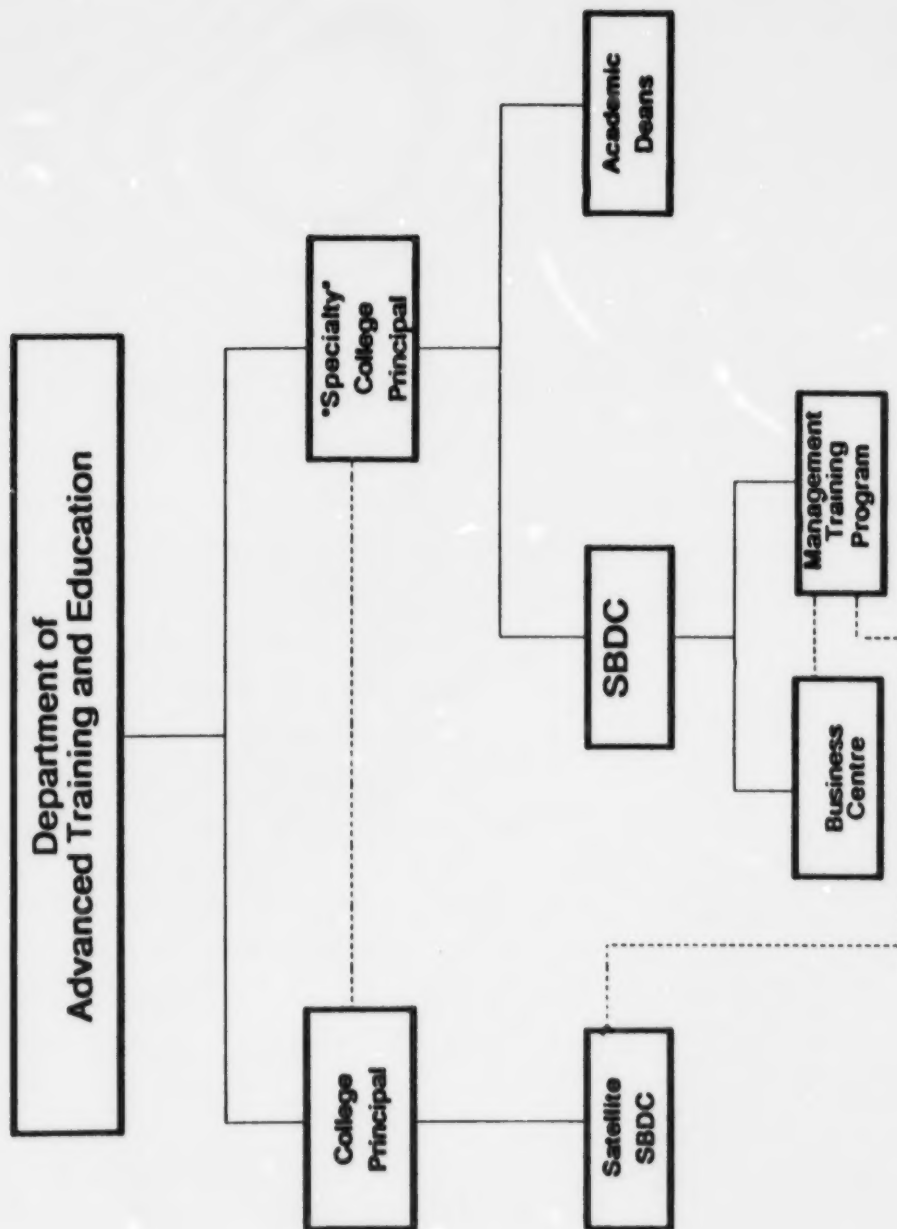
4.2.3 Organizational Roles and Responsibilities

This section examines the roles and responsibilities of the various organizations involved: the Department of Advanced Education and Training; the specialty college; other colleges; the Training Centre; and the SBDC.

Department of Advanced Education and Training

The Department's role will be to develop guidelines for the operation of SBDC's and to provide annual funding. It will also ensure that the resources of

Exhibit 1 Organizational Structure



4.2.3 (Cont'd)

the training programs in the two specialty colleges are equally accessible to the various SBDC's. The Department will also determine when additional units should be opened, and will regularly monitor and evaluate the operation of the program.

The Department will also control a central pool of funds to pay the costs of consultants accessed by the SBDC's.

"Specialty" College

The colleges designated as "specialty" colleges for management training and education will establish management training programs within the facility. The colleges will be responsible for technical design, curriculum, and provision of facilities and teaching resources. Each of these colleges will manage the operations of the training program to see that it is responsive to the needs of the clients of all the SBDC's which it serves. As well, this college will operate a business centre which is to be a separate entity from the management training program.

Other Colleges

Colleges that are not designated as "specialty" colleges may have a satellite SBDC. These colleges will be responsible for the operation of the local SBDC and are to assist in obtaining the training centre resources required to help local business.

4.2.3 (Cont'd)

As well, the colleges may be called upon to provide some of its regular instructor resources to deliver some of the management training programs, or to offer advice to SBDC clients.

SBDC

The SBDC will consist of two components: the management training program and the business centre.

Management Training Program

The management training program will provide both standard and custom-designed management education and training. Training will be of a short duration, primarily one and two-day courses, although some may run to one or two weeks. Courses will be designed with sufficient flexibility that they may be customized to meet specific client needs, and offered where possible at the client's place of business. They may be delivered by SBDC staff, local college staff, contract trainers, or volunteers. The training program will work closely with business centre staff to ensure that the needs of businesses are being met. The SBDC will also be responsible for training of consultants, volunteers and college staff.

Business Office

The role of the business office will be to act as the link to the client. It will be responsible for determining the training needs of individual client businesses in the area and relaying these to the



4.2.3 (Cont'd)

specialty college for program development. The SBDC will be responsible for establishing and maintaining a roster of consultants and volunteers who are willing to provide their time on a free or reduced cost basis. The SBDC will assess the needs of individual businessmen and businesswomen and assist them in obtaining the most appropriate training to address their particular problem. The SBDC will, wherever possible, refer clients to other agencies already providing a particular course or program. Therefore, the SBDC will need to have effective communication with all the organizations in the region who provide training and other forms of business assistance. The objective of this communication is to keep fully apprised of services available from other agencies to minimize duplication and to promote the referral of clients.

Satellite SBDC

The satellite SBDC will operate a Business Centre in areas remote from the SBDC.

4.2.4 Staffing and Job Descriptions

Exhibit 2 presents the staffing requirements for each organization and a description of the job functions and responsibilities.

4.3 Marketing Plan

The marketing plan relates exclusively to the Business Centre and Satellite SBDC as they perform the marketing and

EXHIBIT 2

SBDC JOB FUNCTIONS AND RESPONSIBILITIES

<u>POSITION</u>	<u>JOB FUNCTION</u>	<u>RESPONSIBILITIES</u>
1. Management Training Program		
Director	Managing centre's trainers.	To provide programs on a timely basis
	Establishing development priorities	To provide programs on the most cost effective basis, i.e., customize existing versus development from scratch
Trainer (4-6)	Sourcing program materials/curriculum	To design effective training programs with flexibility to allow modifications
	Design development and/or customizing of management education programs	To design effective instructor's guide to allow for delivery by non-standard instructors
	Design and development of guides for instructors to deliver centre's programs	
	Training "volunteers" on method of educating	

POSITION

JOB FUNCTION

RESPONSIBILITIES

Deliver training of SBDC's clients

Analyzing clients training needs

2. Business Development Centre and Satellite SBDC

Manager

Marketing SBDC's service

Liaising with other Business Assistance organizations

Establishing and maintaining ties with Chambers of Commerce, Boards of Trade, etc.

Recruiting and screening "volunteer consultants" who will educate clients

To source programs that meet the client's needs

To create awareness of services available to both clients and organizations

To promote strong ties with other assistance organizations and community business groups

To assess clients' training needs

3. Dept. of Advanced Education and Training

4. Regular Community College

These two organizations should be able to operate with existing staff.

4.3 (Cont'd)

delivery function of the SBDC program. This section discusses the promotional materials required, as well as necessary personal selling efforts. Required resources, both budgetary and personnel, will also be discussed.

4.3.1 Marketing Efforts

The SBDC's marketing efforts on start-up will differ from those for on-going operations. The start-up period will require more marketing effort than will be needed as the organization matures. The objective of the start-up marketing efforts is to create awareness and interest among small businesses, community business organizations, business assistance providers, and to generate interest and support from consultants within the region.

Much of the start-up marketing effort will involve personal selling with presentations to local groups, personal visits to potential clients, media interviews and similar activities. Promotional materials will need to be developed to assist these marketing efforts and these should include a simple brochure outlining services offered, describing the procedures for applying and similar information. Emphasis should be placed on the idea that the focus is training and education to assist the long-term development of small business.

Each satellite SBDC will develop similar material but with a local emphasis, particularly in describing the consulting and training resources available through the SBDC.



4.3.1 (Cont'd)

On-going marketing efforts will also focus on a personal selling. During regular operations the objective will be to increase the client base. More emphasis will be placed on meeting with small business owners to promote the program and maintain contact. This one-to-one selling will require the manager to set aside time to travel to more remote areas and meet with business people. It will be essential that these visits are announced ahead of schedule so that these businesses can arrange meetings. The balance of the time available will be for SBDC manager initiated visits.

Exhibit 3 shows the types of marketing efforts and the development phase at which they would be used.

4.3.2 Marketing Budget

The marketing efforts will be primarily personal selling which is to be the responsibility of the SBDC manager. Some resources will be needed to cover costs of producing pamphlets, travelling and advertising. The estimated marketing budgets for a typical SBDC are shown in Exhibit 3.

The following is an explanation of the budget. Travel and meal costs relate to mileage and food expenses. The first year will be higher as it will require a concentrated effort. Media advertising represents an initial concentration of advertising during the first four weeks, followed by reminder and announcement advertisements once a month. Subsequent years could be limited to once a month advertisements. Advertisements for the first four weeks will be 1/8 page at a cost of \$150 each.

Exhibit 3

Marketing Efforts and Timing

Marketing Effort	Timing	Target	Objectives
Newspaper Announcement Radio Interviews	Prior to Opening	Organizations, Consultants, Small Businesses	Awareness, interest and support
Newspaper Announcement	Prior to Opening	Consultants, volunteers	Support-volunteering
Mail out pamphlets, etc.	Immediately	Small Business	Awareness, interest
Presentations to local Service clubs, Rotary, Lions, etc.	Immediately	Organizations, Consultants, Business People	Awareness, interest
Presentations to Chambers of Commerce, Boards of Trade etc.	Immediately	Organizations, Consultants, Business People	Awareness, interest and support (referrals and volunteering)
Personal Visitation Business Professionals	Immediately & ongoing	Opinion Leaders	Awareness, interest and referrals

EXHIBIT 4

48.

TYPICAL SBDC MARKETING BUDGET

	<u>Year One</u>	<u>Following Years</u>
Travel @ 23¢/km	\$ 1,500	\$1,000
Meals	1,000	500
Media Advertising:		
Newspaper (\$150/spot)	2,200	(\$75/spot) 1,000
Radio (\$25/30 sec)	1,200	
Mail-out Advertising @ \$0.75/envelope	2,000	1,000
Pamphlets	1,000	500
Miscellaneous	<u>1,500</u>	<u>1,000</u>
Total	<u>\$10,400</u>	<u>\$5,000</u>

4.3.2 (Cont'd)

Subsequent advertisements will be 1/16 page. Radio advertising will only be utilized during the initial four week period. It will consist of six 30 second spots per week on two stations.

The mail-out will be to all businesses within the SBDC's district, the cost of each is estimated at \$0.75, including postage, stationery and pamphlets. One thousand mail-outs are estimated. The mailing list that is generated can be used as a guide for the marketing activities which the manager must initiate, i.e., site visits.

The pamphlets cost approximately \$125 per 1,000 for a three-fold, two colour pamphlet and thus are a low cost way to provide information - they are to be distributed to the opinion leaders and community organizations for referral purposes.

4.4. Financial Plan

Sample budgets for typical satellite SBDC's and the management training program are shown in Exhibits 5 and 6.

A typical satellite SBDC will require two full-time staff - a manager and a secretary. The budget includes an allocation for salary and benefits for these staff members. In the first year, the typical SBDC should develop a client base of approximately 50 clients. The consulting budget has been developed based on an estimate of five hours per client at a rate of \$20 per hour. This should increase each year as the SBDC becomes better known in the community. No training costs have been included in the SBDC budget, as this should be a cost to the college providing the training.



Exhibit 5
Management Training Program Operating Statement (\$ 000's)

	Year 1	Year 2	Year 3	Year 4	Year 5
Salaries and Benefits					
Director	50.	53.	56.	60.	64.
Trainers (No. of in brackets)	160.(4)	170.(4)	180.(4)	240.(5)	255.(5)
Support- Clerical	16.	17.	18.	19.	20.
Total Salaries and Benefits	226.	240.	254.	319.	339.
Purchased Training	100.	105.	110.	115.	125.
Total Cost to Operate	326.	345.	364.	436.	464.
Less Course Revenues	200.	200.	200.	300.	300.
Net Costs	\$ 126.	\$ 145.	\$ 164.	\$ 136.	\$ 164.

Exhibit 6
Satellite SBDC Operating Statement (\$ 000's)

	Year 1	Year 2	Year 3	Year 4	Year 5
Salaries and Benefits					
Manager	45.	47.	49.	51.	58.
Support- Clerical	16.	17.	18.	19.	20.
"Volunteer Consultants" (\$20/hr)	5.	6.	8.	10.	12.
Rent (500 square feet)	6.5	7.	7.5	8.	8.5
Utilities (phone, heat, lights)	5.	5.	5.5	5.	6.5
Equipment and Furniture (\$30,000 over 5 years)	6.	6.	6.	6.	6.
Marketing and Promotion	10.4	5.	5.	5.	5.
TOTAL	93.9	93.	99.	105.	111.



4.4 (Cont'd)

For the management training program itself, the budget assumes that each of the two programs will have a director and four staff trainers. These budgets will vary over time as the programs develop, and the actual staff complement may need to be increased. However, we suggest that this level of staffing will be a necessary requirement to support a network of satellite SBDC's and a business office in the local community. We have therefore shown this level of staffing being provided in the training program in the first year, and an additional staff member being added in year 4.

In addition to training provided directly by the college staff, the budget makes provision for purchased training, whether from other colleges, from private training providers, or from contractors providing programs on behalf of the SBDC from time to time.

Revenue will be generated by charging course fees. We have assumed that fee revenue will be of the order of \$100,000 per program per year. While it is not expected that fees will cover the full costs of the courses, it should be possible to recoup two-thirds of the costs as the program matures.

These are approximate budget estimates. Costs could vary from location to location depending on the particular circumstances. The costs of the satellite SBDC's in particular, could be reduced if it were possible to co-locate them with another community economic agency, such as a Chamber of Commerce, an Industrial Commission, or a Community Futures BDC. In these situations, it could be possible to share secretarial resources, office space, equipment, etc.

4.4 (Cont'd)

In the first year, the total costs will amount to:

Training Program (2)	\$252,000
Business Office (2)	<u>188,000</u>
TOTAL	\$440,000

Assuming one satellite SBDC is added each year after the first year, there would be an increase in the annual operating costs of approximately \$100,000 per year. By the end of Year 5, the province should be fully covered - there would be a total of six SBDC's in existence, plus two well developed training programs - and the annual operating costs would amount to \$925,000.

5. IMPLEMENTATION PLAN

The implementation plan involves the Department of Advanced Education and Training, the specialty colleges and regular colleges. Also discussed are the required evaluation and timing.

5.1 The Department of Advanced Education and Training

The Department must first evaluate the options for locating the two specialty management training programs and make the selection. One site should provide programs in English and one in French. However, all business centres and satellite SBDC's should be bilingual. Site selection criteria should include:

- A principal who is committed and enthusiastic about the concept
- A geographic location that is able to recruit quality educators
- A good nucleus of potential clients
- Available space and teaching resources.

5.2 Specialty College

Each college must first allocate space and recruit a director for the SBDC. Trainers should then be recruited and the program staffed appropriately. This can develop on a gradual basis during the first year of operation. Once the trainers are in place, meetings with the business centre manager should take place to set the course for program delivery.



5.3 Business Centre

The director must recruit a manager for the business centre. The manager should be familiar with the business community in which he or she is operating. This implies a good knowledge of the other service organizations, the people involved and their offerings. The next step is to meet with local groups to inform them about what is to come and obtain direction as to what general training should be offered. At this stage, the business centre manager and the management training program staff will meet to discuss general programs to be developed. The SBDC should now officially be opened and marketing efforts as earlier outlined commenced.

5.4 Satellite SBDC's

Once the two SBDC's are operating effectively in their local market, satellite sites should be considered. The Department of Advanced Education and Training should aim to open one satellite site per year in each of years two through five.

5.5 Evaluation

On-going evaluation of efforts is essential to the successful implementation of the SBDC program. Client feedback evaluation forms should be designed to provide input on the effectiveness of the service, the ease of use, the timeliness, and level of satisfaction. As well, client suggestions for improvements should be sought and, where possible, acted upon. Evaluation of the SBDC's marketing efforts should also be performed to determine the relative effectiveness of the various methods. The results should be used to guide subsequent marketing efforts.

5.5 (Cont'd)

A more in-depth evaluation of the entire program should eventually be performed to determine the future course of action, i.e., continue piloting, add new SBDC's or discontinue. This program evaluation should be performed three years after the program has been in operation to allow the program sufficient time to become established. This evaluation should consider the responses of the program's clients. It should seek the impressions of other service providers as well as community business groups. The objective is to determine whether the service is still required and, if so, what structural changes are required.

5.6 Timing

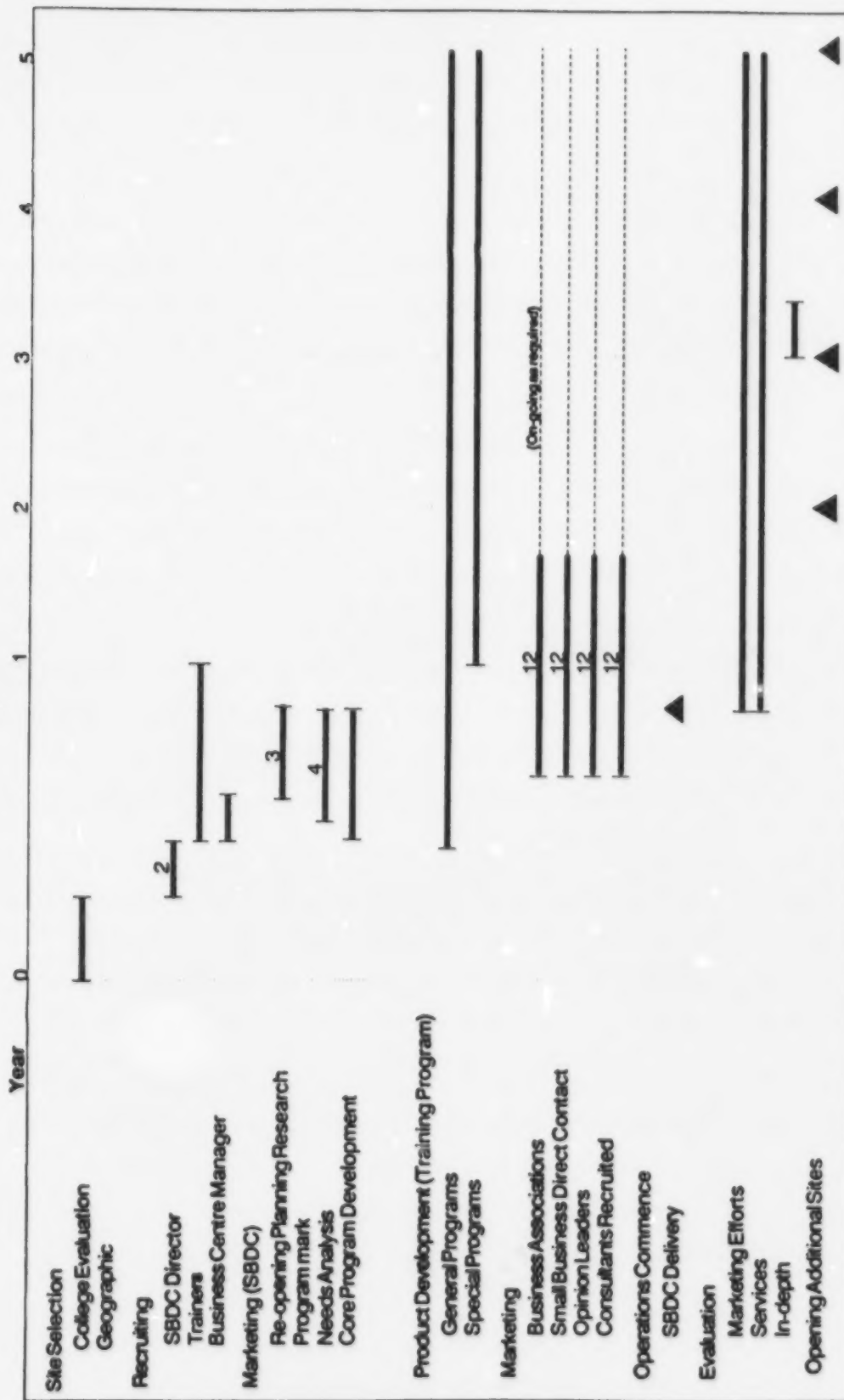
Exhibit 7 shows a schedule for the preceeding implementation steps.

The schedule shows that it will take approximately ten months lead time before the first SBDC can commence operations. During this period, many tasks will need to be undertaken. The specialty colleges will need to be selected, the necessary staff will need to be recruited, local business people and associations will need to be contacted to ascertain local market training needs, and awareness of the SBDC program will need to be generated. This process may be shortened, depending on the selection and recruiting time requirements.

However, the other pre start-up factors should not be shortened - sufficient time will be needed to complete the tasks properly.



Exhibit 7 Implementation Schedule



APPENDIX A

LIST OF PEOPLE CONTACTED

LIST OF PEOPLE CONTACTED

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Moncton

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Fredericton

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Federal Business Development
Bank
Moncton

Gary Martin
District Manager, Loans
Federal Business Development
Bank
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Barbara Peabody
CASE Coordinator
Federal Business Development
Bank
Saint John

Fred Powers
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Federal Business Development
Bank
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Ron Bemrose
Director of Programs
Employment and Immigration
Canada
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Shediac

Renaud Bard, Director
Cle Chaleur Lead Inc.
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N. B. Dept. of Labour

Kevin Jennings
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Ellen King
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Ray Iveny
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Don Doucette
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Incutech
Fredericton

Al Gallant
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Ferdinand Malenfant
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Incubator Complex
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Edward "Sandy" Cutler
Director
Oregon Small Business
Development Center Network
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Douglas H. Jobling, Director
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APPENDIX B

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APPENDIX C

ALTERNATIVE APPROACHES IN OPERATION

NAME: British Local Enterprise Agencies

ADDRESS: Agencies operating in communities throughout Britain

TYPE OF ORGANIZATION: Community-based, generally store-front operations, operating independently. The LEAs are usually constituted as companies, though some are organized as voluntary bodies and some operate as branches of chambers of commerce. All rely heavily on their knowledge of local community conditions and personal contact.

SPONSOR: Mix of public and private sector sponsorship with private predominating. Average annual budget of the agencies operating in communities of 300,000 to 400,000 people is £77,000 of which approximately 50 per cent is in the form of assistance "in kind" (mainly seconded staff) from the sponsors.

TARGET GROUP(S): New and existing small businesses

TARGET SECTOR(S): Not limited

SERVICES OFFERED: All offer basic business advice and counselling, promotion and marketing services, and information access; some also provide training, facilities and access to risk capital.

MODE OF OPERATION: Individual counselling and varied range of other modes.

FEES: n/a



NAME: Province of British Columbia Enterprise Development Centres

ADDRESS: Located at 14 British Columbia community colleges and two universities

TYPE OF ORGANIZATION: College/university-operated business development centres

SPONSOR: Established through a grant from the Local Economic Renewal and Development Fund of the B.C. Ministry of Education. Recipients of \$80,000 in annual funding from B.C. Ministry of Advanced Education and Job Training. Some centres also receive other funding from a variety of sources.

TARGET GROUP(S): Innovators and entrepreneurs

TARGET SECTOR(S): Not limited

SERVICES OFFERED: The services offered by the centres can include one-on-one counselling and coaching for potential entrepreneurs, seminars on a wide-range of topics related to small business, financial matchmaking, matching purchasers with local suppliers, organizing staff training, small business management training, information and referral services. Some of the centres have become specialized in such areas as technology transfer or prototype development.

MODE OF OPERATION: Individual counselling, plus range of instructional formats

FEES: Counselling is offered free in some cases but most of the centres are moving to a fee structure (usual charges are \$25 for the first consulting visit and anywhere from \$25 to \$150 for subsequent sessions). Charges for training vary; in some cases, training is given on a cost-recovery basis.

NOTE: Some of the centres are being reorganized because of difficulties they have had in establishing roles distinct from those of other business services.



NAME: Nanaimo Community Employment Advisory Society

ADDRESS: 271 Pine Street, Nanaimo, B.C. V9R 2B7

TYPE OF ORGANIZATION: Community group with representatives from organized labor, the business community, government and special interest groups. NCEAS has non-profit and profit generating divisions.

SPONSOR: Initiated under a Federal/Provincial agreement

TARGET GROUP(S): 1) Potential long-term employment projects (generally funded through CEIC) with prospects for community spin-off (i.e. salmonid enhancement, reforestation)
2) New and expanding businesses

TARGET SECTOR(S): Not limited

SERVICES OFFERED: Technical assistance (development of business plans, market information, identification of public and private sources of capital, referral and networking with other relevant agencies) and financial assistance (debt or equity financing)

MODE OF OPERATION: Individual consultation

FEES: Free services (with the exception of legal and accounting) to any individual or company in the Nanaimo Regional District and Township of Ladysmith exploring the feasibility of establishing or expanding a business.

NAME: Hawaii Entrepreneurship Training and Development Institute (HETADI)

ADDRESS: Suite 1409 Century Center, 1750 Kalakaua Ave., Honolulu, Hawaii 96626

TYPE OF ORGANIZATION: Private training company which sells programs to identify and develop entrepreneurs

SPONSOR: (Private sector)

TARGET GROUP(S): Potential entrepreneurs

TARGET SECTOR(S): Not limited

SERVICES OFFERED: Workshops, residential courses, post-course counselling.

MODE OF OPERATION: Varies depending on program selected. HETADI has conducted programs in the United States, New Zealand, Swaziland, Guam, Saipan, as well as in Canada. HETADI conducted a program for the Meadow Lake District Chiefs in Saskatchewan which consisted of community-based pre-business workshops, a two-day market research/business plan workshop, a three-to-four week residential course for 20 selected trainees, and post-course counselling which involved either a two-to-six months "in the business" training period or actual implementation of the trainee's own plan, or a combination of the two. The contract period was one-year.

FEES: Vary depending on the program. The range is from \$120,000 to \$300,000 (U.S.). The Meadow Lake program cost \$208,000 which HETADI reports worked out to less than \$4000/per job created.

NAME: P.J. Gardiner Institute for Small Business Studies

ADDRESS: Memorial University, St. John's, Newfoundland

TYPE OF ORGANIZATION: University small business institute

SPONSOR: Memorial University

TARGET GROUP(S): Prospective and current small business owners

TARGET SECTOR(S): Not limited

SERVICES OFFERED: Start-up advice; feasibility studies; pro forma financial statements; market analysis, market planning and market research; advertising brochures; inventory control systems. The Institute also conducts research studies on small business in the province and compiles cases.

MODE OF OPERATION: The Institute employs senior business students to work with clients on an individual basis (the students receive any back-up they may need from the members of Memorial's Faculty of Business Administration and Commerce); the Institute also develops seminars and workshops designed specifically for small businesses in Newfoundland.

FEES: First session is free; small fee for subsequent assistance (maximum fee is \$50/day, depending on ability to pay)

NAME: Nova Scotia Small Business Development Boards

ADDRESS: Six regional boards (Cape Breton, Strait of Canso, Northumberland, Halifax, the South Shore and the Annapolis Valley)

TYPE OF ORGANIZATION: Eight-member regional loan approval and initiative advisory boards

SPONSOR: Nova Scotia Department of Development

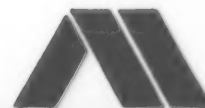
TARGET GROUP(S): Current and potential entrepreneurs

TARGET SECTOR(S): Not limited

SERVICES OFFERED: Technical assistance (through the Nova Scotia Research Foundation) and financial assistance (boards have the authority to approve loans of up to \$100,000)

MODE OF OPERATION: The boards meet monthly to approve loans and advise the Department of Development on regional business and economic initiatives. Clients are served by officers at the regional offices of the Department.

FEES: n/a



NAME: Ontario Community Small Business Centres

ADDRESS: Four locations: Brantford, London, and Waterloo, and York (The Small Business Centres are similar to the three Ontario Enterprise Centres located in Cornwall, Kanata and Thunder Bay.)

TYPE OF ORGANIZATION: Community-based incubation centres

SPONSOR: All four supported by Ontario Ministry of Industry, Trade and Technology for first three years (starting in 1986) with local co-sponsors: Brantford - City of Brantford; London - City of London; Waterloo - Community Small Business Centre of Waterloo Region Inc.; York - Learning Enrichment Foundation.

TARGET GROUP(S): Local small business people and entrepreneurs

TARGET SECTOR(S): Not limited

SERVICES OFFERED: General business advice and low-cost operating space

MODE OF OPERATION: Advice is offered through individual consultation; space is in a shared facility.

FEES: n/a

NAME: Ontario Ministry of Industry and Trade Seminars

TYPE OF ORGANIZATION: Government ministry

SPONSOR: Ontario Ministry of Industry and Trade

TARGET GROUP(S): Potential and current small business operators

TARGET SECTOR(S): Not limited

SERVICES OFFERED: Series of small business seminars on starting a small business, financial planning, marketing, profit-sharing, plant-layout, the use of computer technology, etc.

MODE OF OPERATION: Seminars are offered in government offices at locations all around Ontario.

FEES: n/a



NAME: Ontario Small Business Consulting Service at Universities

ADDRESS: Operating at 14 Ontario universities

TYPE OF ORGANIZATION: University-based consulting service

SPONSOR: Ontario Ministry of Industry and Trade

TARGET GROUP(S): New or existing businesses

TARGET SECTOR(S): Not limited

SERVICES OFFERED: Consultation on all aspects of business management

MODE OF OPERATION: Individual counselling by selected senior business students, supported by university faculty and resources

FEES: Nominal fee (initial proposal is developed free of charge and includes estimate of total fee)



NAME: Ontario Small Business Management Development Program

ADDRESS: Ontario Ministry of Industry and Trade

TYPE OF ORGANIZATION: Provincially-operated program delivered at field offices of the Ministry of Industry and Trade

SPONSOR: Ontario Ministry of Industry and Trade

TARGET GROUP(S): Small business owner/managers

TARGET SECTOR(S): Retail and service

SERVICES OFFERED: Analysis of business operation and recommendation of changes, assistance in implementing new management techniques

MODE OF OPERATION: A private sector consultant works confidentially with each owner/manager. Ministry field officers working with local business organizations recommend a business community in their area for an SMBD program. Normally 25 business in a community participate.

FEES: n/a

NAME: Oregon Small Business Development Center Network

ADDRESS: Network of 19 centres operated by all 16 of Oregon's community colleges and three state colleges. The network also has a special centre which concentrates on international trade. Though some of the centres are on campus, most have downtown locations (some sharing space with chambers of commerce) - downtown locations have proven more successful.

TYPE OF ORGANIZATION: College-operated centres

SPONSOR: Combination of local funding (55% from local college tax base), state, federal and private foundation funding. (Many of the centres also generate substantial income from their training activities.)

TARGET GROUP(S): Current and potential small business operators

TARGET SECTOR(S): Not limited

SERVICES OFFERED: Start-up and basic business advice and counselling; full range of small-business related training. The network offers counselling to about 6000 people a year, and training to 16,000. The bulk of the resources go into the counselling since it is more labour-intensive and time-consuming. The average client receives 3.8 hours of counselling.

MODE OF OPERATION: Individual counselling, training programs including seminars, workshops, classes, conferences, telecourses, and selfbased video materials. Sessions range from two to three hour workshops and seminars to a three-year small business development program, (some of the colleges have condensed the three-year program to two years). Approximately 200 people a year take the three-year program. The network reports that 80 per cent of its clients are still in business one year after start-up.

FEES: Vary

NAME: Rhode Island Small Business Development Center

ADDRESS: Central office: Bryant College, 450 Douglas Pike,
Smithfield, Rhode Island 02917-1284

TYPE OF ORGANIZATION: College-operated business development centre

SPONSOR: Co-sponsored by Bryant College and the U.S. Small
Business Administration

TARGET GROUP(S): Current and potential owners of small businesses

TARGET SECTOR(S): Not limited

SERVICES OFFERED: Consultation on all aspects of business operation.
The list of consultants includes accountants,
computer experts, managers, creative designers, advertising and marketing
professionals, and teachers.

MODE OF OPERATION: Individual consultation and group workshops.
Screening is done through an initial interview. If
the applicant appears to have a viable proposal, RISBDC then assigns an appropriate
consultant. In making the assignment, the Centre specifies how many hours of
consulting time are available to the client. The average number of hours is eight to
10. If the client needs more time, the consultant can request the Centre to allocate it.
The Centre also offers general workshops on such subjects as developing business
plans and financial forecasts, robotics and world trade.

FEES: Services are free. Costs for the consultants' time
and expertise are assumed by Bryant College and
the U.S. Small Business Administration. Consultants are paid \$20. (U.S.)/hour.